

## Terms of reference

# Evaluation of Oil for development (OfD), i.e. the Norwegian petroleum related assistance during 2006-2011

## 1. PURPOSE

There have been several reviews, studies and also appraisals of different elements of the Oil for Development program (OfD) which Norway started late autumn 2005, but no in depth assessment of the different policy instruments; including the results, the performance and interplay of the main actors or the way this assistance has been organized. This evaluation has therefore three outcomes of interest or main purposes (as DAC defines the term);

- Assess the quality of the Norwegian assistance (the input) and the results (output and outcome) of the Oil for Development program in general and at *project/program level*.
- *Assess the suitability of the organisation of OfD, the performance of the actors involved, the choice of partner countries and the relevance of the OfD-program for different types of partner countries.*
- *Outline lessons that can be used in designing and implementing OfD-policy, programs and projects in the future in new and old partner countries within a variety of contexts.*

The evaluation has four sub-objectives or outcomes to be achieved before assessing lessons learned more in general:

- document and assess the contents and achievements in the three pillars of OfD (natural resources, environment and finance) and OfDs other activities, including the contribution as a foreign policy instrument. The main focus will be on the instruments used for developing regulatory frameworks (policies, laws and regulations) and building institutional capacity and competence.
- assess the relevance, quality and **cost-effectiveness** of the assistance given by the individual Norwegian actors and their cooperation, including the OfD-secretariat itself and other actors involved in planning and implementing the assistance in the three pillars.
- analyze reasons for successes and failures in the assistance to different types of countries and contexts.
- analyze the potential for improving the assistance and give both strategic and operational recommendations for the policy makers and actors involved.

The main users of the evaluation results will be the Norwegian policy makers in the Ministry of Foreign Affairs (MFA) and the other involved Ministries, in addition to the embassies, the OfD-secretariat and other public institutions<sup>1</sup> that are developing and implementing oil related

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<sup>1</sup> The main active public institutions in Norway include Ministry of Foreign Affairs (MFA), Ministry of Finance (MoF), Ministry of Petroleum and Energy (MoPE), Ministry of Environment (MoE), the Norwegian embassies, the Norwegian Agency for Development Cooperation (Norad), the Norwegian Petroleum Directorate (NPD), the Petroleum Safety Authority Norway (PSA), The Climate and Pollution Agency (klif), the Norwegian Directorate for Nature Management (DN), PETRAD (the International Program for Petroleum Management and

assistance. The reports will also be useful to partner countries and other stakeholders, including non-governmental organizations (NGOs) and consultants in Norway and their counterparts in the South. The first results should be ready late autumn 2011 and the final report delivered in 2012.

## 2. THE EVALUATION OBJECT

When the Government in 2005 decided to reorganize<sup>2</sup> Norwegian petroleum aid the intention was to double the budget for such assistance during the coming five years<sup>3</sup>. The intention was also to broaden the assistance from mainly being oriented towards resource management to include environmental and revenue management. To integrate these different thematic issues or pillars an OfD-secretariat was established in Norad with responsibility to coordinate and quality assure the work of the substantial and growing number of actors involved.

The purpose of program itself is to "transfer Norwegian experience with petroleum governance/ management in a way that contribute to lasting reduction of poverty in developing countries, and that the extraction of resources is done in an environmentally friendly way"<sup>4</sup>. The purpose has also been stated as "an inter-ministry action for making Norwegian competence more available to developing countries who have oil and gas resources".

The OfD-policy initiative was based on a new strategy (or "program theory") where the key elements were the integration of three pillars (nature resource, environment and finance management), establishing a coordinating secretariat and to focus on "core" partner countries with limited cooperation in other countries. The initiative assumed that by reorganizing the Norwegian "input" (making it more available and of quality), then the results would be better for the partner countries (less poverty and environmental problems and more sustainable development). This program theory did not elaborate cause-effect linkages more in detail. But the implementation and the activities of the main actors indicate that on strategic level "institution building" and "developing governance framework on national level" in the form of laws and regulations have been key instruments in linking the Norwegian input and the desired results.

Appendix 1 gives a picture of how OfD has been organized and how the budget has been allocated to the different elements in the program during 2005-2009 (2010-data is not yet available). This picture does, however, cover only the input, not the results of the OfD-organizational model or the main instruments used in different contexts.

The available information indicates that the "program theory" of the OfD-program has changed over time. A broad objective of the new evaluation, therefore, could be to analyze and assess how the OfD-program has evolved and clarify the driving forces and main challenges involved, but also assess the results and the quality of Norwegian assistance. These Terms of Reference limit, however, the tasks of the evaluation team to more specific

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Administration). Involved have also been development banks as The World Bank and several international and Norwegian NGO's as Revenue Watch Institute and WWF.

<sup>2</sup> The Cabinets policy initiative came in 2005 – before the 2006 evaluation of the petroleum assistance report was ready.

<sup>3</sup> In fact Norad's statistics show that the annual budget allocation during 2007-09 has increased more than five times compared with 2002-04)

<sup>4</sup> UD Prop. 1S (2010-2011) Proposisjon til Stortinget for budsjettåret 2011. P. 52.

evaluation questions on issues linked to the most significant elements in the program theory that the implementation of OfD is based on. Priority is given to learning how Norway may improve its petroleum assistance in the future, and to issues that are of interest for the Norwegian development cooperation system more in general. Included, but with less emphasis, is control of whether earlier activities have been according to policy, guidelines and rules (but limited to a sample of projects and programs).

### ***3. The evaluation process and involvement of stakeholders***

The evaluation will follow the norms and quality standards laid down in OECD/DACs evaluation guidelines and the general mandate for Norad's evaluation department.

The evaluation will be conducted in three phases:

- the preparation phase, including dialog on Terms of Reference (ToR), an international tender process and contracting of a team of independent consultants,
- the implementation phase, when the evaluation team conducts the evaluation according to ToR, with the production of an inception report that clarify the work plan and portfolio, draft final reports and the final reports.
- the follow-up phase, disseminating and discussing the findings with the stakeholders and giving advice to the Ministry for Foreign Affairs on policy change and how management should respond.

The planning and organizing is undertaken by the evaluation department in Norad. Consultations with relevant Norwegian institutions and other stakeholders will ensure relevance of the Terms of Reference (ToR) and the criteria for selecting the evaluation team. Stakeholders will be invited to give their comments before the inception report is approved.

The draft final report will be sent by the evaluation department to the parties involved, including representatives of the partner countries, the Norwegian embassies and other involved stakeholders, giving them the opportunity to comment on the findings, conclusions, recommendations and lessons learned which are presented in the draft report. DACs quality standards for evaluations require that the final evaluation report takes such comments into consideration, and acknowledges any substantive disagreements. The stakeholders will also be invited to participate during the follow-up phase in discussions about the conclusions and recommendations in the final report.

An evaluation team, independent of the stakeholders and EVAL, will be selected after an international tender process and is responsible for the findings, assessments, conclusions and recommendations in their reports. EVAL has the professional responsibility for the evaluation process and choice of consultants. EVAL is also responsible for its independent advice to the Norwegian Minister for international development on policy change and management response.

### **4. OBJECTIVE AND SCOPE**

The main objective is to evaluate the quality and results of the Norwegian petroleum assistance after the Oil for Development program was established late autumn 2005 as an instrument for developing the petroleum sector in partner countries. The following two sub-objectives of the evaluation are the most important ones:

1. Document the resources used and the results achieved for a sample of programs/projects. This sample will cover **the three pillars and other parts** of the OfD-assistance, and core- and non-core countries. The emphasis will be on **framework development** and instruments used in **institution building** in different contexts; including:
  - The allocation on strategic level of resources to the different pillars and types of partner countries over time, including the money flow to and between the actors involved
  - The main types of activities (content of input) involved), and to what degree the assistance has been demand driven
  - The planned results for the partner countries and institutions and to what degree the desired results were achieved,
  - Identify unplanned results (positive or negative) for the involved stakeholders
  - Identify reasons for why interventions have been successful or not, and especially whether and how the use of Norwegian experiences and thinking (“Norwegian models”) has influenced the results achieved
  
2. Document and assess the quality and cost-effectiveness of Norwegian actors; including
  - The **value added** of the *OfD organising model* and the OfD-secretariat itself as a coordinating and quality assurance unit, both by comparing the content and quality of the assistance after 2005 with the Norwegian assistance before (i.e. 1994-2004) and by getting the stakeholders perceptions
  - The **quality of the aid** from the implementing Norwegian actors regarding relevance, their ability to plan, implement and follow-up, and their cost-effectiveness.

The results of Norwegian input most often will manifest itself long after an assistance project/program takes place, giving a considerable time-lag between input and results. It is, therefore, important that the evaluation clarify if and how recent OfD-projects relates to earlier assistance. When OfD-activities are a continuation of earlier assistance, the team shall assess if there has been a thorough assessments of the need for continued support and an exit.

The evaluation will focus on bilateral assistance through public institutions, but include also OfD-assistance by civil society organizations and in cooperation with multilaterals or other donors in a limited number of programs, depending on the choice of case studies. It is necessary to clarify to what extent other donors have been involved in the petroleum sector at the same time, or before, the Norwegian assistance is established. When multilaterals, or another donor country, have been involved in petroleum assistance to a country that this OfD-evaluation studies, the performance and results should be compared when possible.

There are examples of Norwegian petroleum related projects that is combined with aid to other sectors (as energy in general), management of nature resources in general (as fish resources) and/or the development of private sector (to increase the local content in delivery to the petroleum companies). OfD-activities are also linked to policy initiatives for improved governance in general (as Publish what you pay). The evaluation will not give priority to “mixed” or general programs/projects, but when relevant the evaluation will assess how OfD-

activities are linked or interact with Norwegian assistance in other sectors (as development of local industry) or with more general instruments.

The projects assessed in this evaluation shall cover both support provided directly by MFA and the other Ministries involved, the embassies and the OfD-secretariat in Norad, but also the different implementing actors in the three pillars with emphasis on NPD and PETRAD.

## 5. The Evaluation Questions

### 5.1 Assessments of resources, contents and Results

- i. What have been the resource allocations and contents of Norwegian assistance during the OfD-period within the three pillars of nature management, environment and finance?

The statistical information on the allocation of OfDresources varies and the evaluation team should clarify the reliability of data by checking a sample of projects/programs regarding their content, relation to the pillars/other activity and implementing actors. Contents here refer to the activities that have been planned, implemented and followed-up by the involved Norwegian actors, including activities as for example analysis of the needs of the partner countries or institutions, actions for building the competence and capacity of partners, assessment and development of regulatory frameworks, governance and monitoring systems, analysis of the risks involved, and assessing/collecting baseline data.

The analysis of content should emphasize activities related to developing frameworks for regulations on national level that determine the responsibilities and revenues among actors in the petroleum sector, including the government and private sector. The content-analysis should also clarify the activities or instruments used for institutional building, including the use of on-job training, study visits, seminars, short work-shops, longer courses (as PETRADs 8 week course), long-term experts and formal training at higher education level. These analyses of contents should be based on a limited sample of projects/programs in selected countries and cover both core- and non-core countries

- ii. What have been the results on national and program/project level, and the reasons for success or failures?

These assessments shall focus on results related to development of frameworks (laws, regulation) and building of institutions (capacity and competence), but when possible cover also the contribution from the petroleum sector to **economic development** on national level, **poverty reduction, improved governance** within the environmental and financial sector, and **cross-cutting issues** as gender relations.

The evaluation should clarify if and to what degree there have been changes between 2005 and 2011 in the regulatory frameworks in a sample of partner countries. The framework concept covers regulations of the different phases of petroleum development (exploration, field development, the income and closing down phase). The evaluation team should assess if

and how the Norwegian assistance has contributed to changes in the national regulations of the oil and gas sector. When relevant the team should also assess if the regulations have been followed up and implemented as planned, especially regarding licensing arrangements and field development plans.

How well the petroleum industry functions depend not only on the robustness of the regulatory framework, but also on the capacity of the regulatory institutions. The assessments shall, therefore, cover changes in institutional capacity and competence between 2005 and 2010 of the key public institutions on national level, and the roles of host governments, private oil companies and other actors. These assessments should look into the efficiency of the regulatory institutions in partner countries and if they manage to deliver the services or products needed to the other actors in the partner countries, including actors in the host government and private sector companies, but also third-party actors as the donors involved in assistance to the petroleum sector and NGO's, development and commercial banks and international organizations.

A key-challenge will be to assess the results of using different instruments in institution building, and especially the results of using long-term experts, local coordinators or different other ways of transferring competence as study visits, seminars, work-shops, longer courses or high-level education. Based on a limited samples of such interventions, the team shall compare the costs involved and look for evidence of the value of the different activities or results on institutional level, not only effects for the persons directly involved.

The evaluation of results should be based on well defined objective indicators, but also on the perception of the parties involved. The result indicators used in comparisons of implementing actors and assistance to different countries shall be common. If they differ, for example because of different contents in the Norwegian assistance, or different contexts and regulatory frameworks in partner countries, that should be explained in the final report. Assistance that has been influenced by internal conflicts in partner countries or war should especially be identified and such contextual challenges clarified.

Changes that take place over time is, however, often related to other external factors, as changes in partner countries' policies in general (decentralization, privatization etc), interventions by other donors, changes in the international petroleum market, and access to inputs such as energy and credit. The evaluation team shall assess if and how such external factors or processes may have influenced the results.

The analysis of contents and results is limited to a sample of countries, with the emphasis on the five core-countries East-Timor, Ghana, Mozambique, Sudan and Uganda. The evaluation will cover all actors involved and all types of projects/programs in Ghana, Mozambique and Uganda. The study of assistance to the financial pillar will, however, be limited to East-Timor. In Sudan the focus will be on OfD as a foreign policy instrument in a conflict solving/reducing process. These five countries get approx. 75% of the bilateral assistance in 2011 budget wise. Two mainly non-core countries in Latin America will be selected during the inception phase (among Bolivia, Cuba, Ecuador and Nicaragua). The evaluation of non-core countries will be based on limited data collection from field work. The analysis in all case countries will be based on a sample of programs/projects chosen in the inception phase after a preliminary mapping study.

## 5.2 Assessments of the quality and cost-effectiveness of actors

A substantial number of actors have been involved in the Norwegian petroleum assistance during the OfD-period. On the management side the key actors have been the embassies and the OfD-secretariat itself with responsibility of approximately half of the total budget allocations each. The implementing institutions have been Norwegian public institutions and especially NPD and PETRAD.

This evaluation shall focus on the quality and cost-effectiveness of the most significant actors, the embassies, the OfD-secretariat, NPD and PETRAD, but also cover other actors to be chosen during the inception phase. The term “quality” in this case refers both to the relevance for the partner country, the use of international “best practice” and according to guidelines for Norwegian aid or framework in partner countries.

Regarding the Norwegian organizational model, the OfD-secretariat and the embassies, the key evaluation questions are:

- What has been the value added by the involvement of the Norwegian Ministries, the OfU-secretariat itself and the assistance through the embassies compared with the Norwegian petroleum assistance before 2005 and compared with recent petroleum assistance given by other actors as the World Bank?
- Have the secretariat model increased the relevance, the quality and efficiency of the Norwegian petroleum assistance, when assessing also the needs of the partner countries, the integration of the three pillars and the performance and interactions of the involved actors?
- To be more specific: Have the secretariat and embassies had the required capacity and competence, and what have been the other challenges and cost according also to the perception of the involved partners?
- Could the achieved results been significantly increased if the OfD-program had limited the number of partner countries and focused on selected types of partners?
- To what degree and how has the involvement of the Norwegian Ministries contributed to increased results for the partner countries and higher efficiency of the Norwegian assistance?

The 2006-evaluation found several weaknesses in the Norwegian assistance which the OfD-program has been expected to improve. By comparing the Norwegian assistance before and after OFD were established, and by comparing the petroleum related assistance given by the embassies with their activities in other priority sectors, it should be possible to identify if there are significant differences which may relate to the coordination and quality assurance functions of the OfD-secretariat. Such comparisons should be based on a sample of similar programs/actions and the program-documents produced. Among the weaknesses identified by the 2006-evaluation was a lack of need assessments, risk analysis and monitoring systems, and the fact that not a single project document was according to the relevant guidelines. A comparative study should include a comparison also between a “new core country” (as Ghana) with assistance in earlier core countries to clarify the degree of improvements on national level and if improvement can be related to the work of the OfD-secretariat.

The effectiveness and cost-effectiveness of Norad’s work should also be assessed, including the secretariats capacity to aid a large number and different types of partner countries. The support so far has been spread out to a comparatively large number of partner countries and

involved several Norwegian Ministries in the steering committee and public agencies. What have been the effects, positively or negatively, of such allocation of resources and of the involvement of many actors in steering and implementing functions compared with a more focused approach both geographically and institutional?

Regarding the performance of the main implementing actors the key evaluation questions are:

- How have the assistance been organized and performed by the main implementing actors during the OfD-period, and to what degree have the actors been cooperating or activities coordinated with other Norwegian actors and other donors?
- How does the quality of the work of implementing actors compare with the assistance before OfD, and have the actors given more attention to the weaknesses identified in the 2006-evaluation as the lack of building administrative capacity?
- Have the quality, results and cost-effectiveness been different when comparing Norwegian implementing actors?

The emphasis shall be on NPD and PETRAD, but other public actors that have been involved in the same countries and/or contexts will also be included. When relevant these assessments may also include NGO's or consultant companies. Comparisons of implementing actors should focus on analytical units (types of assistance and contexts) that are comparable.

The evaluation shall track the channeling of funds directly or indirectly from MFA, the embassies and Norad through the different involved partners to document the total budget allocations to each of the selected actor and their use on different main types of activities. The mapping of resource use - limited to expenditures on main activities - should focus on technical assistance (in-house and external consultants), the main types of competence building, support in kind and direct financial aid to partners, administrative costs and other costs.

A limited number of projects will be selected for fact-finding regarding resource use and results. The evaluation shall also identify factors and forces which have influenced the design and implementation of the selected programs/projects, including the capacity building efforts. The team shall assess the quality of planning, the monitoring/reporting systems and the routines for such actions, and coordination/cooperation with OfD-secretariat and other actors. Of special interest is how risks have been handled by the responsible units and the response of the Norwegian public actors to weaknesses and recommendations in mid-term project reviews, progress reports or other documents.

## **6. METHODOLOGICAL COMMENTS**

### **6.1 The quality standard and evaluation criteria**

The assessments will mainly cover the internationally adopted DACs criteria<sup>5</sup> of Relevance, Effectiveness and Efficiency:

- Relevance refers to the extent to which the selected projects, programs or policy instruments were consistent with the Norwegian priorities and guidelines, and the needs and requirements of the beneficiary countries.

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<sup>5</sup> Including the guidelines in DAC Evaluation Quality Standards, March 2006

- Effectiveness refers to the extent to which the selected interventions have attained (or are likely to attain) their objectives, taking into account major factors influencing the achievement or non-achievement of the objectives
- Efficiency will measure the **benefits/outputs** or **outcomes** in relation to the resources/inputs. If available the expected benefits/costs in appraisals (ex ante) or project documents should be compared with the observed realities ex-post.

The assessments should cover also Impacts and Sustainability when appropriate.

## 6.2 The methodological design

Norwegian petroleum related assistance before and during 2005-2010 has been a subject of reviews and evaluations in several earlier reports and studies, but also of ongoing reviews in East-Timor and Uganda. The evaluation will avoid duplication of work, and the review of the previous evaluations will be limited to a brief comparative overview of the main finding of the earlier studies. This evaluation shall draw on the previous work where relevant. Primary data collected in the evaluation shall be quality checked through use of appropriate triangulation strategies. The consultant will reconstruct the *intervention logic* in the OfD-strategy and the selected programs or activities in consultations with the stakeholders involved.

One of the methodological challenges will be that several interventions may not be based on explicit or documented objectives, or a well formulated “program theory” of how anticipated results will be achieved. Another methodological challenge is how to obtain information from a representative sample of Norwegian interventions which makes it possible to draw general conclusions. The recent Norwegian cooperation in this field has covered more than 30 different countries and has been a complex mix of interventions in very different contexts. The main alternative strategies for designing the evaluation have therefore been to do a limited number of thorough “in depth case studies” or a broad more “superficial” study.

The proposed design is a methodological compromise and based on a case study design which focuses on priority issues (framework development and institution building) in four of the core countries that Norway has been involved in for a substantial period (East-Timor, Ghana, Mozambique and Uganda). It is supplemented by a study in Sudan with focus on OfD as foreign policy instrument and two non-core countries in Latin-America with a different context and types of programs/interventions.

New primary data will be collected mainly through visits to the key Norwegian actors and field studies in the selected countries, limited to the priority issues and a sample of programs or projects. The evaluation will be based also on secondary data in the form of program documents, both collected by the 2006-evaluation team, and by comparing documents and other types of evidence produced during the OfD-period.

A significant part of the tasks for the evaluation team is fact finding as the conclusions and recommendations should be based on reliable evidence. The likely best way of starting data collection will be to collect information from the Norwegian actors on their perceptions of OfU and their premises for been involved. The team should early on collect reliable evidence of the resource allocations of OfD in general and follow the money to the involved actors and document their internal resource allocation and use. The collected data should compare the input (resource allocations, content, cooperation, coordination etc.) and expected results also

with aid before the OfD-period. The team will later on visit the selected partner countries to supplement or verify the reliability of findings. But field work may depend on the security situation in the partner countries, an issue which the embassies will assess when relevant.

The intention is that more in-depth comparisons should include – when possible – studies of at least three to five different analytic units (countries, actors, programs for framework development and institution building, but also types of activities).. The selection of projects or programs to be studied will be finally approved by EVAL during the inception phase.

## 7. EVALUATION TEAM AND TENDER PROCESS

The tender process will be international and in accordance with EU rules. The main competition criteria will be the quality of team, the design and methods proposed, the quality assurance system, availability of team members and price as specified in the tender document.

All members of the evaluation team are expected to have relevant academic qualifications and evaluation experience. The team must cover substantial relevant **experiences**, both from the private sector and the public management/regulatory side. In addition, the evaluation team shall cover the following competencies:

Competence	Team Leader	At least one member
Academic	Higher relevant degree.	Higher degree in economics, social science, petroleum resource management
Discipline	Relevant disciplines	Petroleum science and technology, economics, political science/ law, accounting
Evaluation	Leading multi disciplinary evaluations	Qualitative and qualitative evaluation methods, institutional assessment, studies of cost-effectiveness, needs and risk assessments
Sectors	Substantial experience from the Petroleum sector - preferably both from public management/regulatory and private sector	Petroleum resources regulation, environment and safety regulation, petroleum fiscal regimes, private sector
Priority issues		Framework and policy development on national level, instruments used in institution building
Development Cooperation	Yes	Yes, also in fragile states
Country/region	Developing countries	Petroleum countries in Africa, South Asia and/or Latin-America
Language fluency		
English	Written, Reading, Spoken	
Norwegian		Reading, Spoken by minimum two members
Portuguese		Reading, spoken by minimum two members
Spanish		Reading, spoken by one member

The evaluation team should as far as possible, include both international and experienced local consultants from the South.

## 8. BUDGET AND DELIVERABLES

The project is **budgeted** with a maximum input of 80 person weeks<sup>6</sup> including visits to Norwegian actors and field studies in selected countries. The budget estimate includes the time allocated to the local team members and the time to be used during the field-visits and the seminars, including compensation for travel time used in intercontinental travel (maximum 7 hrs. travel time per intercontinental journey).

**Deliverables** in the consultancy consist of following outputs:

- **An Inception Report** which assess and recommend the final design and analytical methods used in the main evaluation of the results and quality of the Norwegian aid. The design and methodological assessments will be based on a **preliminary mapping study** that describes the resource allocation and contents of the Norwegian assistance within the three pillars before and during the OfD-program period autumn 2005- spring 2011. The mapping study clarifies the flow of resources to the main actors in Norway and how the resources have been used on framework development, institution building programmes, projects and activities, or tied to Norwegian foreign policy issues. The mapping survey covers the OfD-secretariat, NPD and PETRAD, but also a preliminary mapping of input by the relevant Ministries, embassies and/or other Norwegian public institutions. The mapping study will be delivered as an annex to the inception report. The design and methodological part of the inception report should not exceeding 30 pages and be prepared in accordance with the evaluation department's guidelines given in *Annex A-3 Guidelines for Reports*. It will be discussed with the team and the relevant stakeholders before approval by the evaluation department in Norad.
- **Draft Final Reports** for feedback from the stakeholders and the evaluation department. The feedback will include comments on structure, facts, assessments, conclusions and recommendations. It will be a draft report for each of the selected countries, and a main report which synthesise the findings, conclusions, recommendations and lessons learned.
- **Final Evaluation Reports** prepared in accordance with guidelines given in *Annex A-3 Guidelines for Report*.
- **Seminar for dissemination** of the final reports in Oslo or in the case-study countries, to be arranged by the Evaluation department in Norad. Direct travel-cost related to dissemination in the case countries will be covered separately by the evaluation department on need basis, and are not to be included in the budget.

All presentations and reports are to be submitted in English and electronic form in accordance with the deadlines set in the time-schedule specified in the *Tender specification*. The evaluation department may decide to translate country reports to the official language used in partner countries (as East-Timor and Mozambique where Portuguese is relevant). The department will in that case cover all translation costs.

The evaluation department retains the sole rights with respect to all **distribution, dissemination and publication** of the deliverables.

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<sup>6</sup> Budget assumes a work-load of 42 hours per week spread over six working days per week.

## **Appendix 1. The background and evaluation object: the Oil for Development-program**

### **1. THE BACKGROUND**

The evaluation department in Norad organized a major independent evaluation of Norwegian petroleum related assistance in 2006. Based on their findings the evaluation team recommended several changes in the Norwegian petroleum assistance, changes which the evaluation department supported. The department recommended to MFA that the evaluation should be followed up by a new evaluation no later than five years afterwards, i.e. during 2011<sup>7</sup>. The new study should also assess more closely the internal Norwegian organization of petroleum related assistance and the assistance to a broader sample of countries.

The 2006-evaluation covered assistance in four selected case countries (Angola, Bangladesh, East-Timor and Mozambique)<sup>8</sup> from it began in the 1980'ies and up to July 2006 and focused on:

- The results that had be achieved,
- The contents and quality of the Norwegian assistance (the input),
- The experiences, both positive and negative, and the challenges or risks related to this type of assistance,

The evaluation established in addition some baseline data for use in future studies of the results of the new Oil for Development program.

The evaluation team concluded that the Norwegian assistance had given good results in all of the four countries especially regarding petro-technical issues, but several clear weaknesses were also found. One of the main challenges was the lack of relationship between the petroleum assistance and the general objectives for Norwegian assistance to developing countries (as reduction of poverty and sustainable development). The petroleum assistance had in addition been less successful regarding:

- Institutional capacity building, especially within management and administration.
- Planning of programs with a lack of clarification of the local context, the needs of the partner countries and their capacity<sup>9</sup>, and the development of strategies and action plans
- The cost-effectiveness of Norwegian actors

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<sup>7</sup> The 2006-evaluation focused mainly on oil and gas related assistance during the 10-year period between 1994 and up to June 2005.

<sup>8</sup> These four countries received 60% of the country-specific budget allocations during 1994-2004.

<sup>9</sup> The evaluation team found an extraordinary flexibility that had allowed for a demand-driven approach which had been constructively used in "new" petroleum producing countries. But the flexibility in more "mature producing countries" had postponed needed decision-making and led to less efficient program implementation. The planning of the programs/projects had, however, been insufficient, with failing clarification of local needs, the institutional capacity of the partners, the objectives of the assistance and documentation of the base for decisions, including assessment of risks. Instruments normally internationally had not been used, and there was not a single document which was according to the requirements in guidelines used since 1994.

- Unclear roles and responsibility for Norwegian and partner country actors

The evaluation in 2011 could clarify whether less successful aspects of the petroleum related assistance have improved after OfD were established - by comparing the assistance before 2005 and afterwards. Such comparisons could cover both the Norwegian input and the results in selected partner countries, the results of actions within the three pillars, the effectiveness and cost-efficiency of the main actors, and the quality of planning and implementation. Shortly before the OfD-program was established the Norwegian development cooperation system in general was reorganized with changed responsibilities between Norad, MFA and the embassies. Some changes after 2005 may, therefore, be related not only to the new OfD-program, but to the reorganization of the Norwegian system in general – and to other changes both inside the Norwegian petroleum assistance system (the evaluation object) and in the partner countries.

## 2. The evaluation object: the Oil for Development program

The Norwegian Government decided in 2005 to strengthen the Norwegian petroleum related assistance to development countries. The intention was to double the budget for such assistance during the coming five years, yet Norad's statistics show that the annual budget allocation has been at least five times higher than during 1994-2004.

The main purpose of the new program was to broaden the Norwegian assistance from mainly being oriented towards resource management to also include environmental and revenue management and good governance. In order to integrate these different thematic issues or pillars an OfD-Secretariat was established in Norad with the responsibility to coordinate and quality assure the work of a substantial and growing number of actors that were involved. The broader purpose and new organization has most probably made the Norwegian Oil for Development program a significantly more complex endeavor than earlier.

The stated purpose was to "transfer Norwegian experience with petroleum governance/management in a way that contribute to lasting reduction of poverty in developing countries, and that the extraction of resources is done in an environmentally secure way", or in other words to make "Norwegian competence more available to developing countries". The thinking (or program theory) behind the reorganization in 2005 are explicit and based on three basic elements; a new organizational model (the OfD-Secretariat), the introduction of three pillars (resources, environment and finance), and the distinction between core and non-core countries. But the implementation seems to be based on the assumption that transfer of competence best can be done by involving the Norwegian public actors and by using (mostly) former instruments; establishing legal and regulating frameworks, institution building and transfer of competence through advice and educational actions. The linkage on program level between the Norwegian input and the desired results on impact level is, however, not clear. The assumption seems to be that good quality of the Norwegian assistance (input) will contribute to the preferred outcome and impact, depending on the contexts and involvement of partner country authority.

The original distinction between core countries and countries with limited cooperation has become less clear, partly because Norwegian aid in general has become more linked to Norwegian foreign policy and a desire to use OfD as an instrument in countries "under stress" (as Afghanistan, Iraq and Sudan). The guidelines for how OfD is organized and work have also changed over time with a more operation goal defined as recently as November 2010.

Review reports (and discussions with participants in the OfD-program) indicate also that coordination of the activities of new and old actors has been a challenge, partly since changes in well established patterns of behavior and thinking takes time. It has neither been an easy task to broaden the assistance with more emphasis on environment, finance and good government, as such broadening depends on the context, the priorities of partner countries and also of internal Norwegian policy issues.

The basic thinking and actions have been influenced by the regulatory regime of Norway which defines the roles and responsibility between government agencies and oil companies with emphasis on cooperation between the three pillars in government and with the oil industry. This regime is often referred to as “the Norwegian model or models” which have its challenges when applied in developing countries, challenges reflected also internally in the Norwegian OfD-program.

The new strategy and the way it has been implemented have most probably made the OfD-program a more complex endeavor than previously. The complexity has increased also recently when OfD have developed stronger partnership with multilateral organizations as IMF and the World Bank, and involved also international and Norwegian NGO’s as Revenue Watch Institute and WWF. It may, therefore, be said that the Norwegian Oil for Development program increasingly has become implemented according to an “adapted Norwegian model”, meaning that various government institutions and civil society organizations are working together, and also with multilaterals as partners. Oil companies are, however, not involved in the OfD-program.

The purpose of OfD has also been stated as ”an inter-ministry action for making Norwegian competence more available to developing countries who have oil and gas resources”. The program has, therefore, a Steering Committee with representatives from Ministry of Foreign Affairs (MFA), the Ministry of Oil and Energy (MOE), the Ministry of Environment (MoE) and the Ministry of Finance (MoF). This Committee is involved in *inter alia* decisions regarding assistance in new partner countries and when activities in existing partner countries are significantly increased.

MFA has the budget responsibility for all OfD-activities, while the Secretariat is responsible for quality assurance of ALL OfD-activities, also for activities with a budget under NOK 15 million (which is not normal). Planning of new activities follows the guidelines established for Norwegian development assistance in general, and according to normal responsibilities among MFA, the embassies and Norad. The embassies are responsible for bilateral agreements and to manage programs and projects according to delegated authorities. It is the embassies who order or book assistance from the secretariat for assistance when a program/project has got clearance.

Total budget allocation 2005-2010 to OfD-activities has been nearly NOK 860 million with a strong growth the first years. The budget has stabilized during recent years. Approximately 80% have been used on resource management and resource governance according to Norad’s statistics. An important task in this field has been assistance to establish national governance systems in the form of laws and regulatory regimes.

Appendix 2 gives more statistical data on the resources used by the OfD-program, but then the statistics are based on the data registered in Norad’s statistical system. Data from the OfD-secretariat deviate from Norad’s data on how the resources have been allocated to the three

pillars and the evaluation team should clarify the reliability of the statistical data by checking a sample of projects/programs. Both sources indicate that the environmental pillar has been significant during 2005-2009, but a preliminary comparison of Norad's data shows that actions related to environmental issues were nearly as significant - percent wise – also before OfD were established. While 10% of total petroleum related budget 1994-2004 had environment as the main purpose, 7% had the same main purpose during 2005-2009. The budget for environmental issues has, however, increased strongly, but not much more percentage wise than the total budget. Norad's statistics show also that the environmental actions during the OfD-period have to a very limited degree been related to climate change and bio-diversity (which are priority issues in the Norwegian action plan for environment in development cooperation).

Activities in the financial pillar have been marginal both before and during 2005-09 with most probably less than 1% of total budget – if such assessments are based on Norad's statistical data and DACs sub-classification. But the OfD-Secretariat assesses the resources used on the financial pillar to be ten times higher percentage wise. Good governance was only indirectly the purpose of Norwegian petroleum assistance before 2005, but has probably got significantly more attention more recently as 6% of the OfD-allocations had good governance as policy markers in Norad's statistics.

Only 10% of the OfD-budget has been used multi-bilaterally, which percentage wise has increased from 4 % before 2005. Bilateral assistance has, therefore, always been the main form of Norwegian petroleum related assistance. The least developed countries did get 58% of the allocation before OfD were established, which has decreased to less than 50% during recent years. The main reasons are probably that more resources have gone through global and regional channels, and to lower-middle-income countries.

OfD has been involved directly in 34 countries. But the direct allocation in 20 of these countries has been marginal with less than ½ million NOK over five years. The number of countries has only increased slightly from 1994-2004. When OfD was established the idea was to concentrate the assistance to “core countries” with limited assistance to other countries who asked for assistance. But there are countries with limited cooperation (i.e. “non-core countries”) which have received more assistance in money-terms than core countries. Parts of the assistance have been concentrated to five core countries with East-Timor and Mozambique as the main receivers – as before 2005. Angola, Sudan and Uganda have also received substantial assistance during 2005-2009 in addition to the non-core countries of Afghanistan, Iraq and South-Africa.

The reorganization of Norwegian assistance in general 2004 - including the centralization of responsibility to the embassies - has changed the administrative pattern substantial. Norad was up to 2004 responsible for 87% of the budget allocation within petroleum assistance which has been reduced to 47% during 2005-2009. 50% of the allocation recently has been by the embassies, while MFA has been responsible for 3% or nearly the same percentage as during 1994-2004. When the OfD-Secretariat was established in 2005 the internal organization in Norad of the petroleum assistance changed with the introduction of new management systems<sup>10</sup>.

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<sup>10</sup> A review in 2009 identified weaknesses in OfDs routines and practice, see “Rapport fra forvaltningsgjennomgangen OfU. Norad”.

The growth in total budget combined with the decentralized management process has increased the complexity of overall management in recent years. Before OfD was established then the three management actors (Norad, MFA and embassies) had 33 agreement partners (1999-2004). The number of different agreement partners increased to 89 during 2005-09, or nearly 3 times. After OfD was created (2005-09) the main allocations (43%) have gone through government or public agreement partners in developing countries, while substantial parts (31% and NOK 200 mill.) have been channeled through 12 different Norwegian public organizations (as the Norwegian Petroleum Directorate) or “semi-public institutions” (as PETRAD and INTSOK).

Public agreement partners in development countries were significantly more important partners – percentage wise - before OfD (70% of total budget 1999-2004) than during recent years. But the role of the three key Norwegian actors has not changed before and after OfD were established when assessments are based on how much – percentage wise - they were allocated as agreement partners (22-23% both 1999-2004 and 2005-2009). PETRAD has been the main Norwegian agreement partner both before and after 2005 with 115 million NOK of the total budget (18%) in recent years.

Multilaterals as agreement partners received 10% during 2005-09, approx. evenly divided between World Bank/IFC and the Asian Bank for Development. 6% of the budget has been channeled directly through Consultant companies, but only one company (Econ Pöyry) has been partner for significant amounts (24 million NOK or 4%). International NGO's have also received 4% of total budget with RWI as the key actor. Norwegian NGO's (WWF, Naturvernforbundet, Norsk Folkehjelp and SAIH) has as agreement partners been involved in activities related to 2.5% or NOK 15 million, but then PETRAD, Intsok and some research institutions are not classified as NGOs (as they are in Norad's statistical system)

Some agreement partners have used other actors to implement programs and Projects. Norad's statistics shows, for example that governments in partner countries have during 2005-2009 channeled 10% of the agreement budgets to Norwegian public institutions as ”subcontractors”, while 30% has been linked to public organizations in the partners country. Of the agreement budgets of Norwegian public actors 10% have been related to implementing public partners in developing countries. The Norwegian Petroleum Directorate is –according to Norad's statistics - the only public organization in Norway who between 2005 and 2009 has been involved both as a “sub-contractor” for a partner government (receiving NOK 27 million from Iraq), and who has “sub-contracted” implementation to public partners in a developing country (transferring 6 million to Nigeria).

The implementing partners may have used the allocated budget for hiring Norwegian consultants and public organizations, but such information is not available<sup>11</sup>. The available data indicates, however, that nearly all OfD-funds have been channeled between the public sectors in Norway and partner countries, or through ”semi-public” institutions in Norway. How the implementing actors have used the resources for transfer of competence and building institutional capacity are not illuminated in Norad's statistics, but different instruments and organization models have been in use. Cooperation between sister institutions or likeminded partners is one “twinning-model”. Other instruments include the use of long- and short term-advisors, short and long work-shops and educational programs on different levels.

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<sup>11</sup> PETRAD made an analysis of these in 2004 giving a very different picture than Norad's statistics and NPDs accounts.



## Appendix 2. The resources used on the Oil for Development-program according to Norad's statistical data

The following data has been quality checked by the Evaluation department in Norad and include some programs which not have been identified earlier as OfD-interventions

### 1. Disbursed NOK in the OfD-period by year

Disbursed (NOK)

Year	Sum	% of Total Sum	N
2005	43479447	6.9%	49
2006	82937634	13.2%	113
2007	113908900	18.1%	132
2008	184667962	29.3%	196
2009	204690997	32.5%	176
Total	629684940	100.0%	666

### 2. Disbursed NOK in the OfD-period by extending agency

% of Total Sum

Extending agency	Disbursed (NOK)
NORAD	46.6%
UD - Embassies	50.6%
UD - Oslo	2.8%
Total	100.0%

### 3. Disbursed NOK in the OfD-period by bilateral or multi-bi channels

% of Total Sum

Type of assistance	Disbursed (NOK)
Bilateral	89.6%
Multi-bilateral	10.4%
Total	100.0%

### 4. Disbursed NOK in the OfD-period (2005-2009) by group of agreement partner

Disbursed (NOK)

Group of Agreement Partner	Sum	% of Total Sum	N
Consultants	37528644	6.0%	194
Governments/Ministries in developing countries	243759924	38.7%	97
Multilateral institutions	65754064	10.4%	35
NGO International	23541642	3.7%	26
NGO Local	3710149	.6%	7
NGO Norwegian NB! Includes PETRAD, INTSOK	153949138	24.4%	90
Norwegian private sector	151405	.0%	14
Norwegian public sector	63211705	10.0%	107
Other countries private sector	2023222	.3%	14
Public sector in developing countries	25144412	4.0%	13
Public sector other donor countries	2613456	.4%	3
Unknown	8297181	1.3%	66
Total	629684940	100.0%	666

#### 5. Disbursed NOK in the OfD-period to core or non-core countries

Disbursed (NOK)

Corecountry	Sum	% of Total Sum
Core country	274801082	43.6%
Non-core country	133258783	21.2%
Global or regional	221625076	35.2%
Total	629684940	100.0%

#### 6. Disbursed NOK in the OfD-period to Core and non-core recipient countries or regional/global channels

Disbursed (NOK)

Core Countries	Recipient country	Sum	% of Total Sum
Core countries (i 2009)	Angola	31480836	5.2%
	Bolivia	4265284	.7%

	East Timor	69367546	11.4%
	Ghana	6419359	1.1%
	Madagascar	24379425	4.0%
	Mozambique	56068598	9.2%
	Nigeria	24061126	4.0%
	Sudan	25797458	4.3%
	Uganda	32475961	5.4%
	Total	274315593	45.2%
Non-core countries (2009)	Afghanistan	20681292	3.4%
	Bangladesh	22476396	3.7%
	Cambodia	11127414	1.8%
	Cote D'Ivoire	13445	.0%
	Ecuador	123688	.0%
	Iraq	27660140	4.6%
	Kenya	30014	.0%
	Lebanon	128200	.0%
	Mauritania	314504	.1%
	Nicaragua	2281972	.4%
	Palestinian Admin. Areas	61906	.0%
	Sao Tome & Principe	1652130	.3%
	South Africa	27255000	4.5%
	Tanzania	4114481	.7%
	Viet Nam	12695076	2.1%
	Zambia	2643126	.4%
	Total	133258783	22.0%
Other countries and global or regional	Asia Regional	11744566	1.9%
	Azerbaijan	-757770	-.1%
	China	112218	.0%
	Global	180789267	29.8%
	India	382700	.1%
	Indonesia	1037478	.2%
	Kazakhstan	1137000	.2%
	Rwanda	148814	.0%

Sierra Leone	0	.0%
South of Sahara Regional	4145841	.7%
Sri Lanka	66225	.0%
Tunisia	5492	.0%
Total	198811831	32.8%